ANNEXURE 23

RANDFONTEIN LOCAL MUNICIPALITY

INVENTORY MANAGEMENT POLICY

2016/2017

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1. PREFACE

The Municipality, Finance Directorate is responsible for the implementation of inventory Management Policy. This policy is aligned to the Inventory Management Framework and adherence to the Municipal Finance Management Act.

2. PURPOSE

The purpose of the Inventory management is to lay down procedures and processes for the procurement management and control over inventory stock items in accordance with all relevant regulations and legislations and other Departmental policies and directives. The envisaged outcome is an efficient and effective control and inventory management tool for the Department.

3. LEGISLATIVE FRAMEWORK

According to the MFMA it is the responsibility of the Accounting Officer to manage and safeguard assets (inventory) for the Department.

4. TREASURY REGULATIONS

4.1 Responsibility for Inventory Management states as follows:-

4.1.1 The Accounting Officer of an institution must take full responsibility and ensure that proper control systems exist for inventory and that-

(a) Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and
(b) Stock levels are at an optimum and economical level.

4.1.2 The Accounting Officer of an institution must ensure that processes (whether manual or electronic) and procedures are in place for effective, efficient, economical and transparent use of the institution's inventory.

The Accounting Officer of an Institution is therefore responsible for the following:-

5. REPLENISHMENT OF STOCK

Identify inventory items that need to be ordered. Items identified may either be items due for replenishment due to normal usage or specific requests received for specific projects or tasks.

The following may be used as methods/tools to assist with process of determining items to be replenished:-

6. INVENTORY LEVELS (MAXIMUM & LEVELS)

A system is maintained for ensuring that inventory items have been allocated with minimum and maximum levels, where possible. The primary objective of the inventory system is to ensure that Department of Human Settlement, Public Safety and Liaison never run out of stock, especially critical stock items. The system will also ensure that stock levels are kept at a satisfactory level. Minimum and maximum levels will be used as an “early warning system” to control stock.

Ensure that stock replenishments are done regularly and timorously (with due consideration to order and delivery on times).

7. MINIMUM STOCK

The stock level is also an important factor to keep in mind when deciding how much stock should be ordered at a specific point in time. The minimum level of stock depends on the average usage of the stock and the time it takes to deliver the ordered stock.

8. SAFEGUARDING, NEATNESS, SAFETY AND OPTIMAL LAYOUT OF THE STORES

All stores items should be safeguarded and locked up at all times. The store will be kept safe and neat at all times. The layout of the store must support the safety of employees at all times, i.e. clear passages for movement and packing. The layout will also ensure clear and easy access, as well as optimum flows for movement. Items will not be stacked so high that they constitute a safety risk.

When goods are moved from one point to another, it will be done safely and with maximum care. Care will also be taken to ensure that employees are not injured whilst moving heavy items.

9. INTERNAL REQUISITION OF INVENTORY ITEMS

When goods are required from the internal storeroom, the following procedures should be followed:-

- Issues and requests will be done daily;
- An international inventory requisition form should be filled in, detailing the item required by the official.
- All items requested should be authorized / approved by the relevant immediate supervisor and Programme manager.
- The Inventory Controller issues the store items according to quantities detailed on the internal requisition form and certifies these issues by signing off the form. The Inventory Controller should amend the quantities on the original request, if there is insufficient stock of store items available.
- The recipient must sign for receipt of the requested store items.

10. RECEIVING OF GOODS INTO STORES

- Bin Cards and stock register needs to be updated immediately when goods are received or issued.
- All receipts of goods must be entered directly onto the bin cards and stock register from the invoices / delivery notes once the goods have been checked and accepted.

11. HANDLING OF BIN CARDS / STOCK SHEETS / STOCK REGISTERS

- Each item of stock must have a bin cards
- Bin Cards must be immediately updated with inventory receipts and issues.

12. STOCKTAKING / COUNTS

Quarterly Stock Counts:-

- The Inventory Supervisor / Manager will ensure that the stock count takes place on a quarterly basis
- Internal Auditors need to be invited to witness the stock take / count during the third quarter
- External Auditors need to be invited to witness the stock take / count at year-end
- All stock items counted should be recorded on the stock count sheet
- Counted quantities must be indicated on the stock count sheet in ink.
- The physical items counted must be marked as counted.
- At the end of the stock take, the Inventory Supervisor must ensure that all stocks are accounted for (hence the marking off of the counted stock)

Discrepancies between theoretical stock (per stock register) and physical stock (counted) must be recorded, followed up and cleared / corrected. Corrections must be approved by Director Supply Chain Management.

Final stock sheets must be signed and filed.

13. DISPOSAL OF INVENTORY ITEMS

- Obsolete, expired, redundant and damaged inventory must be identified and cleared on an annual basis i.e. at year – end. The only inventory remaining in the stores at the year-end stock take / count, must be useful items which are frequently requested by officials.
- All items to be disposed of must be identified and listed.
- A write-off memo giving reasons for disposal must be completed and submitted to the Asset Manager, Director Supply Chain Management and Chief Financial Officer for approval.

- Inventory Management will consider the following analysis when considering the method of disposal.

  - ✓ Potential market value or other intrinsic values
  - ✓ The location and volume of the inventory to be disposed of
  - ✓ The ability to support other government programmes, and
  - ✓ The cost of the disposal methods.

- Different methods will be used for different types of inventory. It is important to ensure accountability and transparency, as well as due consideration of cost considerations when choosing a method of disposal.

- Disposal options / methods include transfer for alternative use, rental, sale and demolition.

- All inventory items must be disposed of and written off with the proper authorization and records need to be kept of these items.

- Inventory records need to be updated to reflect the actual quantity on hand after the disposal.

14. RECORD KEEPING

All files and documents must be recorded and maintained in the inventory management unit for Issues, Receipts and Stock Counts.